and communications cables. The FCC must not adopt the proposed convention for electric utilities. Rather, the FCC must recognize that the actual loss to electric utilities when a communications cable is installed in an electric utility duct is, at least, an entire duct, and possibly more.

The FCC's proposed "convention" is based on a case involving the use of a **telephone** company duct by a cable company. *See* Greater Media, Mass. Dept. Pub. Util. (*cited at* Rate NPRM Par. 44). Thus, the convention is not premised on any consideration of the **limitations** on the availability of joint use of electric utility duct and conduit. The NESC allows joint use by multiple communications parties under the NESC, as reflected in the Greater Media decision. However, joint use of an **electric** utility duct by communications cable has far more restrictions.

Supply and communications cables can be installed in the same duct, in some circumstances, only if operated and maintained by the same utility. NESC Rule 341(A)(6).[6/] Therefore, the installation of a telecommunications service provider's cable in an electric utility duct completely excludes the electric utility from installing electric supply cables in that duct. The electric utility has lost use of the entire duct, not a "half-duct."

Even worse, the electric utility may lose more than that one

6/ State rules can be similar. *See, e.g.*, California State Code, General Order 128, Rule 44.1, Sec IV (Exception 2, Sec. IV Resolution SU-40, 1996).

duct. It may also lose use of surrounding ducts in the conduit. Within a manhole or vault, electric supply and communications cables must be **at least** six inches apart (**larger** clearances are required for electric supply cables above 15,000 Volts), or suitable barriers or guards must separate them. NESC Rule 341(B)(2)(b)(5) and Table 341-1. However, individual ducts within an electric conduit are typically separated by less than two inches at the entrance to manholes and vaults, and suitable barriers are frequently larger than this separation. Therefore, the electric utility may lose the use of surrounding ducts, and the duct in which they install a communications cable, by virtue of the installation of telecommunications cable. *See also* NESC Rule 320(B)(2).

For similar reasons, it is inappropriate to exclude any costs associated with a conduit from the development of an interim duct/conduit rate. EEI and UTC disagree with the FCC's tentative determination (Rate NPRM Sec. 44) that the Commission can estimate that usable underground space based on the number of ducts in a conduit, or the portion of a single duct, that an installation occupies. Rather, there is no "unused" duct or conduit space.

All unoccupied space within a duct is "used" by all of the cable within that duct, particularly when the NESC <u>prohibits</u> any further use of that duct due to the occupancy. Also, because it benefits **all** those who make use of underground facilities, the

expenses related to concrete, disturbed earth, and other similar works around or associated with duct or conduit must be apportioned to **all** users. This is just as the costs associated with "unusable" space on poles is borne by all who use the poles.

In addition, given the efficiencies associated with simultaneous installation, in those special cases where a duct can be made available for communications cable, it is reasonable to require the first installing telecommunications provider (or "attaching entity") to pay for the complete installation of "inner duct."[7/] This would increase the potential for early facility development and deployment in telecommunications, and thus for increased competition from the beginning. For instance, if inner duct is completed and paid for at the time of the first installation, the first installing entity will have an incentive to create partnerships or other non subleasing arrangements with other entities to minimize its cost. This is analogous to the incentives for constructing new facility inherent in the use of

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7/ "Inner duct" is a smooth or corrugated one or one and a quarter inch tube that contains (typically) fiber optic cable. EEI and UTC have been informed that utility ducts typically accommodate three, five, or seven inner ducts, with three being the average. One of the substantial differences between telecommunications and electric systems is that telecommunications underground plant does not always require inner duct (to protect against dirt and debris) because these systems are not as inherently hazardous as are underground energized power systems.

market rates.

Moreover, EEI and UTC understand that telecommunications providers have already been willing to enter such arrangements. Finally the FCC itself has recognized the propriety of such an approach. In its recent Second Report and Order in Docket CC 93-162 (June 13, 1997), the Commission held that LECs could recover common interconnection costs by charging the first interconnector for **all** common construction costs.

Underground Cost Allocation Methodologies

No standard rate formula can appropriately allocate underground facility costs. As discussed above, a market-based rate is the best approach to follow. As mentioned at the outset of these comments, there are many examples of cost-sharing arrangements upon which to base market rates for underground facility.

Most utilities cannot track conduit costs on a "net linear" basis. Therefore, the rate cannot be based on a net linear calculation or on the amount of "trench feet" used by the "attaching" (or "installing") entity. This is because the FERC accounts used to record underground facilities include underground facilities of **all** kinds, whether that facility can (or will) ever be used to accommodate installing entities. Sometimes, the same account even includes both duct costs and the costs of direct-buried, underground cable (with no vaults, or similar facilities).

Further, there is a vast difference between the cost, nature, and capacity of underground facility in a suburban neighborhood, and underground facility in economically attractive, heavily urbanized economic zones. For instance, urban plant may be much older than suburban plant, resulting in vast differences in booked expense and the condition of the plant. Also, trenching outside of urban centers may be for direct-buried cable rather than duct (much less conduit and conduit systems with vaults and similar facilities). Nonetheless, the costs related to both urban and non urban facilities are recorded in the same utility accounts.

As an acceptable alternative to market rates, the FCC should allow utilities to base rates on full replacement costs. Again, there is a wealth of information on the cost of installing new underground facility in the routes and locations most desired by telecommunications providers. They record where existing facility in an undifferentiated manner, or is otherwise not known, they are not suitable for developing an underground facility rate. In such cases, the FCC should allow rates to be based on replacement costs.

FERC Accounts Underground

Even if the FCC elects to use a formulaic approach to develop duct/conduit rates, the capital investment accounts are far too old and unreflective of current costs for such purposes. Moreover, a duct/conduit formula must allow recovery of actual

operation, maintenance, administrative and general expenses, and also indirect administrative costs that benefit all underground facility (such as for siting-location programs like "Miss Utility" or similar "one call" services), which represents approximately 25% of replacement costs annually. Although some of those costs can be recovered through make-ready billing, others - particularly ongoing expenses - cannot be recovered in such an easy manner and must be allowed recovery through the formula if the Commission requires one.

Allocable portions of the following FERC accounts should be allowed as recoverable costs in any formula developed by the FCC, as adjusted periodically:

- Accounts 357, 358, 371, and 373 for underground distribution equipment;
- Accounts 367, 368, and 369 for related grounding equipment;[8/]
- Account 360 for land and easement rights;
- Operation Accounts 580, 584, and 588;
- Maintenance Accounts 590, 594, 594.1 (underground

8/ Although some utilities do not allow metallic cable in their conduits (by that, allowing such cable to not require grounding), a portion of each of these accounts should be included in any duct rate, because a safety benefit for one occupant is a safety benefit for all: a fault in underground power equipment will result in the failure of any adjacent communications facility.

facilities), and 595.

One appropriate allocation factor would be 2% (see below discussion of line transformers and other grounding equipment). Also, it should be acceptable for a utility that wants to do so to allocate such expenses using the ratio of conduit investment to distribution plant investment. While that would not be appropriate for all utilities, it would allow some utilities to create a conservative approximation of the relative weight of investment in and expenditures related to underground facility. At the very least, accounts that cannot be allocated should be reflected in computing the carrying charges.

Poles

Pole Height Need Not Be Changed At This Time

During the interim period of the proposed rate, it is not necessary to alter the average height of poles, although the Commission should allow individual companies to make a showing of a greater average height. In fact, there is great regional variation in company average pole heights. This is another reason that market rates are better than a rate formula.

Nonetheless, it is important that the FCC begin looking at the issue of average pole height, either to develop forward-looking rates or to be better prepared to address the rates applicable after 2001. Because of the increasing numbers of entities wanting (and now entitled) to attach to utility poles,

the average height of poles used to accommodate attachments is now, or shortly will be, at 40 feet. The average pole installed in 1996 for many utilities was already more than 40 feet. Thus, within the next four years, we believe that the average pole height will almost certainly increase to 45 feet.[9/]

Many utilities are satisfied with the current 37.5-foot presumption, at least during the interim period until February 2001. However, just as utilities maintain accounts for transmission facility[10/] separate from accounts for distribution facility,[11/] some utilities maintain separate records for poles that are 30 feet or less in height.[12/] Such utilities should be

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9/ Although some localities are now prohibiting poles greater than 40 feet, that is a limited, localized situation, and it may be a short-lived phenomenon as well.

10/ FERC Accounts 350-359.

11/ FERC Accounts 360-368.

12/ Poles of 30 feet or less, in fact, generally are not suitable for a large number of attachments. The space requirements of attachments on such poles are also very different from those of taller poles, making the Commission's formula particularly inappropriate for such poles. A 30 foot pole may even not be appropriate for any attachments because it is limited to use only for "service drops." This is clearly so for shorter, specialized "service poles" used by some utilities.

free to exclude from their calculation of pole attachment rates the cost of poles that are 30 feet or less, because the cost of those poles can significantly skew the attachment rate – although attachments are most typically made to the taller poles.

If they so desired, such utilities could create two pole attachment rates that would apply until February 2001. They would then have separate average heights for poles of each grouping – with the taller group averaging 40 feet or more, and the interim pole attachment rate for each grouping would be based only on its associated costs.[13/] Even if utilities did not maintain separate records for different heights of poles, where they wished to develop separate rates as suggested above, the Commission should permit them the flexibility to conduct cost studies to ascertain the associated expenses.

13/ □Another pole characteristic of which the FCC must be aware is strength, or "class." Poles of the same height have differing load-bearing characteristics, depending on their strength class. Stronger poles are necessary for situations of increased attachments, especially considering the increased impacts of wind- and/or ice-loading for every additional set of attachments. For example, an electric transformer attached to a pole can weight 300 pounds and occupy three feet of space. Although a fiber optic cable occupies far less space than a transformer, it actually weighs far more, especially when fully wind- and/or ice-loaded. Obviously, these stronger poles are more expensive. Where utilities choose to do so, they should be permitted to create differing rates for each strength class.

"Safety Space" Is Not Utility Space

At Par. 19 of the Rate NPRM, the FCC states that it has "always" operated under "the premise that the [NESC-required 40 inch] safety space emanates from a utility's requirement to comply with the NESC,"[14/] resulting in the conclusion that such space "should properly be assigned to the utility as part of its usable space." That conclusion is incorrect, because the premise is faulty. To say that the utility "uses" the 40 inch safety (or "neutral") space to meet NESC safety requirements is no more valid than arguing that property owners do not need to be compensated for property taken by the government because, as citizens, they receive the benefit of the government's use of that property, and so *vicariously* have not lost its use. The FCC should not adopt such a specious argument.

Safety space exists only because of, and for, attaching entities. The 40-inch safety space was originally created **not** for the benefit of utilities, but rather for telecommunications providers. This requirement applies only to joint-use poles –

14/ The NESC requires a minimum clearance between electric supply and communications cables of 40 inches at the pole. NESC Rule 238(B) and Table 238-1; Rule 235(C)(1) and Table 235-5. The NESC also requires a minimum clearance between electric supply and communications cables of 30 inches at all points in the span between poles with the upper cable operating at a high temperature or ice loaded condition. NESC Rule 235(C)(2)(b)(1).

poles used for both electric supply and communications cables. This clearance is a fundamental requirement for safe joint-use construction. NESC Handbook at 293-294 (IEEE, 4th Ed., 1996), Allen L. Clapp (past chair and current member of the NESC committee). In this regard, it is noteworthy that the safety space requirement does not exist for a single-use pole (*i.e.*, used only for communications cables or only for electric supply cables).

While the 40-inch clearance does provide safe working clearances from communications cables for electrical workers, it would not be necessary but for the existence of communications cables. That clearance primarily provides communications workers with a safe distance from electric supply cables which they need because they normally do not have training appropriate for the performance of work around energized equipment. *See* NESC Handbook, *ibid.*, at 308; *also see* 29 C.F.R. § 1910.333(c)(3)(i) (OSHA minimum requirement of ten feet separation for "unqualified" workers).[15/] Incidentally, by reducing the need for

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15/ *See* 29 C.F.R. § 1910.332 (standards for qualification of electrical workers); 29 C.F.R. § 1910.268(b)(7), Table R2 (requirements for qualified telecommunications workers). Also, EEI and UTC have been informed that the Occupational Safety and Health Administration is engaged in a review of these minimum approach distance requirements. We understand that initial comments have been made that approach distances may need to be increased.

electrically qualified workers around communications cables, the 40-inch safety space requirement helps to reduce operating costs of telecommunications providers.

A Range Of Appropriate Allocations Exists For Safety Space

The Commission should permit utilities to directly allocate the expenses related to safety space to attaching entities (on a *pro rata* basis), if a rate formula must be used at all. As discussed above, *but for* the need to accommodate an attaching entity,[16/] the utility could use that space for its own purposes – primarily the attachment of utility cables along a line of poles (a horizontal span of cable). Use for horizontal spans was the primary reason for erecting most poles in the first place. If utilities cannot string horizontal spans, they have been denied use of the primary purpose for the poles.

Safety space is in some respects "used" by the utility – for **vertical** risers, and certain other, very limited types of appurtenant equipment, **not** for the attachment of horizontal spans. If, for that reason, the Commission does not permit utilities to allocate all of such safety space to attaching entities, the Commission should permit utilities to directly

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16/ The term "attaching entity" means **only** "cable systems and telecommunications carriers [who] lease space from utilities on poles or in ducts, conduits, or rights-of-way, in order to provide cable service or telecommunications services." *See* Rate NPRM Par. 2.

allocate up to two-thirds of that space to attaching entities (on a *pro rata* basis). This alternative is reasonable because neutral or safety space is **also** used by communications providers for the very same purposes as electric utilities use it.

At the very least, the FCC should allow any utility to treat safety space as common space under a rate formula, because safety space benefits attaching entities at least as much as does common space. Risers and similar equipment are located below the communications space just as much as, if not more, than they are located in safety space. While this is a secondary use for poles, it is the direct result of the logistics of horizontal spans. However, because of these logistics apply to **all** horizontal spans, **all attaching parties make similar use of all vertical space**. Thus, if the FCC insists that such use does benefit utilities, it must also recognize that the very same such benefits accrue to attaching entities as well.

*Forty Inches Is A **Rebuttable** Minimum Safety Space*

The FCC should also recognize cases where the minimum clearance at the pole is more than 40 inches. This situation can arise for several reasons, including (1) state or local code requirements, (2) existing joint-use agreements, and (3) standard construction practices of the attaching parties. For example, California requires far more than 40 inches of clearance space at

the pole.[17/] Also, when utilities use long span construction or when the top communications cable (usually, fiber-optic cable) is installed with less sag than the lowest electric supply cable, the mid-span clearance requirement of 30 inches will force the "at-pole" spacing to be greater than the minimum of 40 inches.

In fact, cable must be attached with sufficient spacing to accommodate the required 30-inch mid-span separation from energized cable at high loads, in high temperatures.[18/] Thus, communications cable may well have to be located more than 40 inches from supply cable at the pole. *See* NESC Rules 235(C)(2)(b)(1)(a), 238 and Appendix A. Some utilities increase the safety space as distribution voltage increases.[19/] For all these reasons, the FCC must be willing to recognize those cases where the minimum 40-inch separation does not apply because of

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17/ EEI and UTC have been informed that may be reduced under certain circumstances, with adequate protection, but only to 48 inches.

18/ *See above*, n. 14. Temperature and loading variations typically cause sag at mid-span to vary by several feet.

19/ For instance, at voltages of 11kV-Delta/14.4kV-Wye, at least one utility's practice is to call for 44 inches of "neutral" space. They have informed EEI and UTC that 11/14.4kV already accounts for 15% of their distribution system. The space and percentages will change further as they convert their distribution system to higher voltages (14.4/24.9kV).

actual conditions (local or regional), state or local requirements, and established utility practices affecting the parties sharing the poles (*see, supra*, n. 15).

Usable Space

If, under a rate formula, the 40 inches of safety space is treated as common space (as discussed above), the amount of usable space on the average 37.5-foot pole decreases from the FCC's presumed 13.5 feet down to ten feet two inches. Assuming that each attachment occupies one foot, each attachment would thus use 9.8% of the usable space. (As discussed below, however, that one-foot assumption seriously underestimates the actual impact of most attachments.)

However, just as utilities should be free to directly allocate safety space or treat it as common space, as they desire, here again FCC rules should take into consideration the many different situations (including state rules and applicable joint-use agreements already in place) that effect usable space. For instance, we have been informed that Oregon has recognized that there are only 10.67 feet of usable space per 40-foot pole, and California requirements could reduce usable space to less than ten feet on a 40-foot pole (*see* General Order 95). Also, span distances (the distance between poles) directly impacts "sag" in the lines, which thereby effects the height of attachments. For all these reasons, and as stated above, the Commission should permit utilities to base their pole attachment

rate calculations on all the requirements under which they must operate.

Space Occupied By The Attaching Entity

The FCC's presumption that CATV occupies one foot of usable space is acceptable. Nevertheless, that is a minimum amount, and so this presumption must be rebuttable. For instance, many cable-owners require at **least** one foot of clearance all along the cable to accommodate overlashing equipment. *See* NESC Handbook, *ibid.*, at 297 (discussing NESC Rule "235C" [*sic*]). Moreover, while the NESC allows as little as six inches of separation between communications cables (NESC Table 235-6), EEI and UTC understand that "Bell company" practice specifies a one foot spacing between communications conductors. Moreover, at the pole itself, there must be 24 inches (horizontal) between communications cables for climbing (NESC Table 236-1).[20/] This means that attaching entities occupy, on average, at least **one-and-a-half** feet.

Further, just as with safety space, when cable (usually, fiber-optic) is attached with insufficient sag to accommodate adequate mid-span separation from other cables, it can require more than one foot separation at the pole. Moreover, power supplies and risers for telecommunications equipment add to the space actually used by attaching entities. This also adds to the

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20/ Safety clearance includes clearances for climbing and for working, as well as for prevention of electrical shorts.

weight and other cost-impacts of attachments.

"Overlashments" Must Be Subject To The Full Attachment Rate

Every "overlashment"[21/] should be subject to a separate, additional attachment rate, because the physical and administrative impact of the additional cable can even **exceed** a completely new single attachment. If they so choose, utilities must be free to allocate the expenses of common space to overlashment rates, even where they voluntarily decline to allocate all usable space in their overlashment rate calculations. Overlashments use the common space just as much as do traditional pole attachments, even if their "occupation" of usable space is minimal.

EEI and UTC have received many reports that cable and alternate telecommunications providers are engaging in wholesale evasion of attachment fees by means of overlashing. Entities with existing attachments, especially cable television providers, overlash fiber for themselves and others - often collecting a fee - but they pay no additional fee to the utility. Nonetheless, it is the utility who has provided the plant affected by attachments and overlashments, and it is the utility who incurs all of the added expenses resulting from the increased weight, increased wind- and ice-loading, increased liabilities, and other impacts

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21/ An "overlashment" is a pole attachment by means of "overlashing" – wrapping one or more cables around another already attached and in place.

caused by using overlashing.

The Commission must not permit the cost impacts of overlashments to go unreimbursed because of this "gaming" of the regulatory system. The most efficient way to compensate utilities for the burdens of overlashments is to permit utilities to charge separate attachment rates for them. At a minimum, the Commission must allow that utilities required overlashing entities to comply with all notification, engineering, tagging (for emergency-notification as well as line identification), and other, similar requirements imposed upon any attaching entity.

The Accounting Approach To Attribution Of Pole Costs

If forced by the FCC to use a rate formula, most utilities will (and, arguably, must) use FERC accounts as the basis for allocating costs by means of a rate-formula calculation. However, doing so is problematic from a cost recovery standpoint, because the FERC accounts are only large "buckets" into which many different types of costs are placed.[22/] Moreover, these accounts will almost certainly change in the relatively near future. FERC has already begun the process of evaluating a major alteration of

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22/ For instance, Underground Conduit Accounts 357 (transmission) and 366 (distribution) both include costs related to **above**-ground equipment – *I.e.*, "standpipe on pole or tower." And, "[t]he cost of underground conduit … for street lighting or signal systems" is only **part** of the total of Account 373, Street Lighting and Signal Systems. *See* Account 366, Note.

its accounting requirements as a part of its overall industry restructuring efforts.

Moreover, embedded cost recovery simply cannot track all real costs and expenses – especially indirect costs. For instance:

- Pole disposal costs are higher now because of growing environmental concerns about wood preservatives;
- Pole costs must also include the utility's increased general liability exposure resulting from an increased number of attaching entities, due to the resulting greater number of under-trained workers potentially exposed to live current, and due to the larger segment of the population depending on the reliability of utility equipment for multiple purposes;[23/]
- Emergency call centers operated by utilities benefit all attaching entities because they permit rapid response to downed equipment and other disturbances;
- Safety-education programs offered by utilities (brochures, speakers, etc.) help prevent all line-related accidents – any one accident can interrupt service on all lines at that

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23/ For instance, there will be increased utility worker exposure to radio-frequency (RF) fields from wireless communications equipment (especially base stations) installed on poles. *See* Vol. 11, No. 2, Environmental Update at 9 (Electric Power Research Institute, 5/97).

location.

Embedded-cost accounting obviously cannot track all such costs without an inordinate increase in accounting complexity and concomitant staffing. This is especially inappropriate at this time, since utilities are trying to reduce staffing and simplify accounting procedures due to the pressures of electric deregulation.

All of the above difficulties further support the position that the FCC should allow utilities to develop pole attachment rates using market rates. If the FCC nonetheless requires the use of a rate formula, the Commission must allow utilities to use any sound or approved accounting or forward-looking methodology to ascertain all relevant costs. Moreover, should the FCC require a formulaic reliance on FERC accounts, Accounts 360, 365, 367, 368, 369, and 397 - allocated as necessary - should be included in the FCC's formula, as adjusted periodically, along with Account 364:

- Costs related to the acquisition of distribution rights-of-way clearly benefit attaching entities, and are recorded in Account 360 rather than either Accounts 364 or 365 (some utilities have subaccounts detailing the costs of distribution-related land separately from those of transmission-related land; others can conduct cost studies);
- The costs of initial tree-trimming related to the placement of the poles themselves, and the costs of obtaining necessary permits, are capitalized in Account 365 (ongoing

tree-trimming related to the protection of all lines on the pole is recorded in overhead distribution maintenance Account 593, and initial tree-trimming related specifically to pole attachments is usually recovered in make-ready charges);

- Neutral ground system and lightning arresters (totaling about 30% of Account 365) provide a direct benefit to other attaching entities – all attaching entities ground their equipment to utility neutral grounding systems, and overhead conductors provide lightening protection below them within a 60-degree arc; because all attaching entities benefit directly from utility multi-grounded neutral systems, that portion of this account should be included in pole costs;[24/]
- Because line transformers (Account 368) and other grounding equipment (Accounts 367 and 369) are part of the overall neutral grounding protection provided by utilities, 2% of these accounts – or any amount a utility would develop and justify – should be included in pole costs; although this equipment does provide certain specialized grounding services for the power utility, just as CATV systems have

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24/ Because initial tree-trimming related specifically to pole attachments usually is recovered in make-ready charges; the inclusion in Account 365 of initial tree-trimming costs related to the placement of the poles themselves would not materially affect the allocation of this account.

specialized grounding equipment for the benefit of their own facility;

- Communications equipment used in system operation (Account 397) should be allocated at 10% – or any amount a utility would develop and justify – such equipment allows the utility to respond promptly and efficiently in restoring service due to pole-related outages (*see* Account 593[g], relating to emergency communications).

Associated operating and maintenance expenses should also be included in any (periodically adjusted) rate formula:

- Operation Accounts 580, 583, and 588;
- Maintenance Accounts 590, 593, 594.1 (aboveground facilities), and 595.

For any accounts that do not have an obvious allocation factor, EEI and UTC again suggest that the FCC permit utilities to conduct cost studies to support the allocation factors they may individually use or propose. Another acceptable alternative could be to allow allocation based on the percentage of usable space occupied by each attachment. Based on the above-discussed assumptions about the true amounts of safety and occupied space on an average height pole, one such factor would be 1.5 feet per attachment out of 10 feet, 2 inches of usable space – or 14.75% of the usable space. At the very least, accounts that cannot be allocated should be reflected in computing the carrying charges.

Finally, some state accounting requirements do allow

utilities to create a more detailed identification of costs than reflected in the FERC accounts.[25/] The Commission should allow these utilities to do more specific cost allocations to calculate their pole attachment rates. Documented evidence based on sound and accepted accounting principles should always be a satisfactory showing to justify use of a specific allocation methodology.

Gross Book vs. Net Book Costs

The FCC requests comments on using gross book instead of net book to calculate the costs that should be included in a pole attachment rate. NPRM, ¶ 29, mimeo at 14-15. EEI and UTC agree there may be problems associated with using net book value to calculate a cost-based pole attachment rate, including the problem associated with negative salvage value noted in the Rate NPRM. EEI and UTC, therefore, support the FCC's apparent desire to use gross book costs to calculate a more equitable pole attachment rate.

Nevertheless, as described below, EEI and UTC have some concerns that the approach actually described in the Rate NPRM and used to calculate the proposed pole attachment rate appears

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25/ This greater detail, however, is still in compliance with the accounting requirements of the FERC.

to combine net and gross book values.[26/] Such a combined, selective use of gross and net values would create even greater inequity than would (in most circumstances) the use of a pure net book method. To remedy this problem, EEI and UTC recommend use of a pure gross book methodology.

Consistent with that proposal, the method described herein relies entirely on gross book values to calculate pole attachment rates. However, some utilities have expressed their preference for the use of a net book methodology based on their own circumstances. Consistent with other positions taken throughout these comments, EEI and UTC fully support the right of any electric utility to justify the use of a different methodology based on the specific circumstances applicable to that utility.

Equity Dictates That The Proposed Pole Attachment Rate Be Calculated Using Gross Book Value

Usually, the use of a net book value method to calculate a pole attachment fee can create some serious problems, several of which are described in the Rate NPRM. In particular, EEI and UTC members have voiced their concerns about negative net plant created by net negative salvage value. For example, one utility reported that its investment in conduit is already negative, and

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26/ This concern arises from the assertion in the Rate NPRM (at Par. 29, emphasis added) that "[u]nder this [gross book] approach the cost of a bare pole and most carrying charges are computed using gross book costs."

a portion of its pole investment is negative. Although a possible solution for the negative net investment concern would be to always eliminate net salvage from the accumulated depreciation balance, a simpler way is to use gross book value to calculate the rate.

The FCC's Proposed Method For Calculating Gross Book Value Should Be Revised As Described Herein

As noted above, EEI and UTC are concerned that the gross book value methodology described in the Rate NPRM for use in calculating a pole attachment rate appears to rely on a blend of gross book and net book values – using gross book value to calculate certain component parts of the proposed rate while using net book value for other cost components. To avoid the inequities that would result from use of a blend of net and gross cost values, EEI and UTC recommend that a pure gross book methodology be used to derive pole attachment rates – that is, **if** as proposed in the Rate NPRM the Commission adopts a rate-formula approach.

More specifically, if the Commission adopts a rate formula approach, EEI and UTC propose that the Commission's formula: (1) use the amount of gross capital investment in the applicable pole accounts,[27/] (2) subtract from this amount an adjustment for non

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27/ For instance, that amount could come from FERC Account 364, among any others that may include costs related to installing and maintaining poles.